

Message Text

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62

ACTION FBO-05

INFO OCT-01 NEA-09 ISO-00 A-01 L-02 ST-01 OPR-02 /021 W

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R 201350Z MAR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7621

LIMITED OFFICIAL USE NEW DELHI 3871

E.O. 11652: N/A

TAGS: ABLD, IN

SUBJ: DELHI GENERATORS

REF: STATE 057222

1. THE LIGHT WE THOUGHT WE SAW AT THE END OF THE TUNNEL WHEN WE HEARD THAT HYDE WAS WILLING TO SETTLE FOR A "REDUCED AMOUNT MADE PAYABLE IN A COMBINATION OF USEABLE RUPEES AND DOLLARS" DIMMED WHEN WE RECEIVED THE REFTEL. THERE ARE SEVERAL PUZZLING POINTS ABOUT HYDE'S PROPOSAL AND WE WOULD ASSUME (AND HOPE) THAT MORE THAN POINTS 4 AND 8 WOULD BE NEGOTIABLE DOWNWARDS. WE WILL GIVE EXTENSIVE COMMENTS IF ANYBODY WILL CONFINE OURSELVES TO THEREE POINTS:

A. AT THE EXCHANGE RATE USED IN HYDE'S OFFER (RS. 7.9 EQUALS \$1.00) THE "REDUCED" FIGURE HE IS WILLING TO SETTLE FOR IS THE EQUIVALENT IN DOLLARS AND RUPEES OF RS. 5,224,040 OR RS. 24,040 MORE THAN THE ORIGINAL CONTRACT.

B. THE COST OF THE GENERATORS IS GIVEN AS \$319,000. THE PRESIDENT OF ATLANTIC ENGINE POWER, INC. TOLD US THAT HE SOLD THE GENERATORS TO CAPCO/SHYROW FOR \$238,000.

C. THE RS. 622,000 THAT SHYROW ASSUMES WOULD BE PAID IN CONVERTIBLE RUPEES FOR AIR FREIGHT (PARA. 2 REFTEL) INCLUDES THE RS. 121,566 ALREADY PAID FOR LOCAL EXPENSES IN INDIA.

WE DON'T THINK THE RESERVE BANK OF INDIA OR THE FINANCE

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MINISTRY WILL CONTENANCE CONVERTING THESE RS. 122,566 INTO

FOREIGN EXCHANGE.

2. WE CONTINUE TO THINK THAT A NEGOTIATED SETTLEMENT IS THE
BEST WAY OUT OF THIS MESS, BUT OUR ABILITY TO NEGOTIATE WITH
THE INDIANS IS GOING TO REQUIRE A MORE CREDITABLE INGOING
POSITION THAN IN HYDE'S OFFER.
SAXBE

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Margaret P. Grafeld
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